

(d) Complete any training required by § 1924.74.

[61 FR 35924, July 9, 1996]

**§ 1924.60 Nonfarm enterprises.**

A nonfarm enterprise is any business enterprise which supplements farm income by providing goods or services for which there is a need and a reasonably reliable market. The same general policies covered in this subpart for giving management assistance to an applicant or borrower on farm loans will be followed in dealing with an applicant or borrower on nonfarm enterprise loans. The appropriate plans and record book will be used for the nonfarm enterprise. The borrower responsibilities in § 1924.59(a) also apply to nonfarm enterprises.

[61 FR 35924, July 9, 1996]

**§§ 1924.61–1924.73 [Reserved]**

**§ 1924.74 Borrower Training program.**

(a) *Introduction.* (1) Supervised credit includes helping borrowers to develop the skills necessary for successful, efficient production and financial management of a farm business. An effective, formal training program provides a solid foundation on which borrowers can build the skills which will enable them to become efficient, financially sound producers who can obtain commercial financing. The goal of this training is for borrowers to develop and improve the financial and production management skills necessary to successfully operate a farm, build equity in the farm business, and become financially successful to graduate from Agency programs to commercial sources of credit.

(2) The authorities contained in this section require certain Farm Credit Programs borrowers to obtain training in production and financial management concepts. Unless waived, this training requirement will be an eligibility requirement for all Agency direct loans. The training requirement will also apply to all direct borrowers who receive Primary Loan Servicing actions approved under subpart S of part 1951 of this chapter, with the exception of net recovery buyout offers. Borrowers who do not request new

loans or servicing actions will be notified during farm visits and annual analyses of approved courses in their area. Also, a current list of approved courses will be posted in the County Office.

(3) The training will be carried out by public and/or private sector providers of farm management and credit counseling services (including, but not limited to, community colleges, the Extension Service, State Departments of Agriculture, farm management firms, lenders, and similar qualified organizations).

(4) State Directors will enter into agreements with one or more qualified providers in each State to conduct the training.

(b) *Processing*—(1) *Agency review.* The determination of an applicant/borrower's need for enhanced training in production and financial management concepts will be made by the Agency. To make this determination, the Agency will review the case file (in the case of borrowers) and the complete application package for the assistance requested. A decision that the applicant/borrower needs such training cannot be used as a basis for rejecting the request for assistance. In the case of a cooperative, corporation, partnership, joint operation, trust, or limited liability company, any individual member holding a majority interest in the entity or who is operating the farm must agree to complete the training on behalf of the entity. However, if one entity member is solely responsible for financial or production management, then only that entity member will be required to complete the training in that area for the entity or qualify for a partial waiver. If the financial and production functions of the farming operation are shared, the knowledge and skills of the individual(s) with the responsibility of production and/or financial management of the operation will be considered in the aggregate for granting a waiver or requiring that training be completed. If a waiver is not granted, these individuals will be required to complete the training in accordance with their responsibilities for production and/or financial management. This training must be completed within 2 years after "Agreement to Complete

Training,” is signed if a waiver is not granted. When production training is required, a borrower must complete course work covering production management in crop or livestock enterprises which constitute twenty percent of the projected cash farm income for the coming production cycle, as determined by the Agency. Borrowers who are adding a new enterprise must agree to complete any required production training in that enterprise unless a waiver is granted by the Agency. Borrowers must also complete financial management training unless a waiver has been granted by the Agency.

(i) *Loan applicants.* After the Agency has determined that the applicant meets all eligibility criteria for the type of assistance requested, the Agency will consider the applicant's need for enhanced training in production and financial management concepts. If the Agency determines the applicant is ineligible for assistance, the training requirement will not be considered.

(ii) *Requests for Primary Loan Servicing.* Prior to Agency offer of any Primary Loan Servicing action, the Agency must determine whether the borrower must complete a training program or qualifies for a waiver. This determination should be made after a feasible plan has been developed using consolidation, rescheduling, reamortization, deferral, softwood timber, and/or writedown, but prior to Agency actual offer to restructure the borrower's accounts. This training requirement does not apply to those borrowers offered net recovery buyout or preservation loan servicing. If the borrower must complete a training program, fees will be included in the plan as an operating expense.

(2) *Waivers.* Applicants for loans and Primary Loan Servicing programs may request a waiver from the training requirement by submitting Form FmHA 1924-27, “Request for Waiver of Borrower Training Requirements,” with the application for assistance. The waiver request must include the required documentation and records as specified in paragraphs (b)(2)(i) and (b)(2)(ii) of this section. A waiver is not required for those applicants who have previously received a waiver, or who have previously satisfied the training

requirements. The applicant/borrower must meet all training requirements for both production and financial management if no waiver is granted. If the borrower receives a waiver for production training, the requirements for financial management training must still be met. Conversely, if the borrower receives a waiver for financial management training, the requirements for production training must still be met. In the case of entity applicants, only those entity members who hold a majority interest in the operation or who operate the farm must meet the waiver conditions for the entity to qualify for a waiver. However, if one entity member is solely responsible for financial or production management, then only that entity member will be required to complete the training in that area for the entity or qualify for a partial waiver. If the financial and production functions of the farming operation are shared, the knowledge and skills of the individual(s) with the responsibility of production and/or financial management of the operation will be considered in the aggregate for granting a waiver or requiring that training be completed. If a waiver is not granted, these individuals will be required to complete the training in accordance with their responsibilities for production and/or financial management. The Agency may waive the financial and/or production training requirements under the following conditions:

(i) The applicant has successfully completed an equivalent training program. To meet this requirement, the applicant must submit evidence of completion of a production and/or financial management course similar to a course approved under this section. The submission must include a description of the content and subjects covered in the course(s) completed by the applicant or entity members. The submission must also include evidence of completion, such as a grade report, certificate of completion, or written certification by the course instructor. The program must have covered subject areas in paragraph (d)(3)(iii) of this section. The Agency will review the documentation submitted by the applicant(s) for assistance to determine

whether the training completed satisfies the training requirements of this section; or

(ii) The applicant has the experience and/or training which demonstrates the abilities necessary for successful, efficient production as determined by the Agency based on documentation provided by the applicant with the request for the waiver. This documentation must include, at a minimum, the applicant's production records for the past 5 years and a statement explaining how the records demonstrate production ability.

(3) *Notifying applicants/borrowers of the the Agency's decision regarding training.* The applicant/borrower will be informed of the the Agency's decision as follows:

(i) Loan applicants receiving a waiver from the training will be notified in the letter of eligibility, required under § 1910.6 of subpart A of part 1910 of this chapter. Applicants for Primary Loan Servicing actions who are receiving a waiver will be notified through exhibit B or exhibit F to subpart S of part 1951 of this chapter, as appropriate.

(ii) Loan applicants required to complete the training will be notified in the letter of eligibility. Applicants for Primary Loan Servicing actions who are required to complete the training will be notified through exhibit B or exhibit F to subpart S of part 1951 of this chapter, as appropriate. The notification will include the name(s) of the approved vendor(s) in the applicant/borrower's area and the specific courses required. The notification to the applicant/borrower will also include a description of the scoring system to be used to determine if the applicant/borrower has successfully met the training requirements. In both loan making and servicing cases, the decision to require certain training is not appealable. However, the decision is reviewable.

(4) *Notification of applicants determined ineligible for assistance.* In the letter informing them of the Agency's decision, applicants determined ineligible for assistance due to lack of management training and experience will be notified, for their information, of training programs approved under this section. If the ineligible applicant chooses to

enroll in a training program, eligibility for future assistance will not be automatic upon completion of the course. Applicants who complete an approved course and later apply for a new loan must still demonstrate that they possess sufficient training and experience to assure reasonable prospects of success and meet other eligibility requirements for the assistance requested.

(5) *Contacting vendor and payment.* Upon receiving the notification of the training requirement, the borrower is responsible for selecting and contacting a vendor(s), and making all arrangements to begin the training. Agency is not a party to fee or other agreements between the borrower and the vendor. Training fees must be included in the plan of operation as a farm operating expense. Payment of training fees is an authorized use of operating loan funds.

(6) *Training agreement.* Prior to closing the loan or Primary Loan Servicing action, the applicant/borrower must sign Form FmHA 1924-23. This agreement will be placed in position 2 of the borrower case file.

(7) *Automated tracking system.* Field offices will process certain data to the automated Finance Office records in order to properly track borrower training-related information. Reference the automated system user manuals for more specific information on this automated tracking system.

(8) *County Office monitoring.* Required training will be included in table C of Form FmHA 431-2. Agency personnel will monitor borrower progress during farm visits and analyses in accordance with this subpart. The County Supervisor will also contact the borrower to follow up on unsatisfactory training progress reports. All contacts with the borrower will be noted in the running case record, together with the topics discussed and agreements reached.

(c) *Vendor's evaluation of borrower progress—*(1) All required training must be completed within 2 years after the borrower signs Form FmHA 1924-23. The County Supervisor may grant a 1-year written extension to the agreement in cases where the borrower demonstrates he/she was unable to complete the training due to circumstances beyond his/her control, such as poor

health or discontinuance of the necessary approved courses. Refusal to grant a 1-year extension is not an appealable decision.

(2) The vendor will provide Agency with periodic progress reports. The frequency of these reports will be determined by the State Director. These reports are not intended to reflect a grade or score, but to indicate whether the borrower is attending sessions and honestly endeavoring to complete the training program. Upon completion of the training, the vendor will provide the County Office with an evaluation of the borrower's knowledge of the course material. This evaluation shall specifically address the borrower's improvement toward meeting the goals outlined in this section. The instructor will also assign the borrower a score according to the following criteria:

Score

1. The borrower attended classroom sessions as agreed, satisfactorily completed all assignments, and demonstrated an understanding of the course material.

2. The borrower attended classroom sessions as agreed and attempted to complete all assignments; however, the borrower does not demonstrate an understanding of the course material.

3. The borrower did not attend classroom sessions as agreed and/or did not attempt to complete assignments. In general, the borrower did not make a good faith effort to complete the training.

(i) Borrowers receiving a score of 1 will have met the requirements of the agreement. The accounts of these borrowers will be serviced in accordance with existing regulations.

(ii) Borrowers receiving a score of 2 will have met the requirements of the agreement. However, since these borrowers do not adequately demonstrate an understanding of the course material, the County Supervisor will develop a plan outlining the additional supervision the borrower will require to accomplish the objectives of Agency assistance, such as recommending further training, more frequent farm visits, or retaining professional services of an accountant, farm management consultant, or similar expert based upon the borrower's abilities.

(iii) Borrowers receiving a score of 3 will not have met the requirements of

the agreement for training. Failure to complete the training as agreed will cause the borrower to be ineligible for future Agency benefits including future direct and guaranteed loans, Primary Loan Servicing, Interest Assistance renewals, and restructuring of guaranteed loans.

(d) *Selection and approval of organizations and courses*—(1) *Identification of potential vendors*. Prior to the initial approval of vendors and prior to renewal of approved vendor's training agreements, the State Director or designee shall solicit applications from all interested organizations, keeping in mind its cultural diversity responsibilities. The State Director shall contact the Chief Executive Officer of the State and appropriate officials from the State Department of Agriculture, the State Extension Service, community colleges, and other private or nonprofit organizations which may be interested in conducting this training.

(2) *Application*. The vendor must submit the following items prior to consideration for approval:

(i) A sample of the course materials and a description of the method(s) of training to be used.

(ii) Specific training objectives for each section of the course. These objectives should relate to the general objectives outlined in paragraph (d)(3)(i) of this section.

(iii) A detailed course agenda specifying the topics to be covered, the time to be devoted to each topic, and the number of sessions to be attended.

(iv) A list of instructors and their qualifications, and the criteria by which additional instructors will be selected.

(v) The proposed locations where training will take place. These sites should be within a reasonable commuting distance for borrowers to be served by the vendor.

(vi) Cost per participant and/or cost per organization, *i.e.*, cost for husband/wife joint operation; father/son partnership; or multiple members of a corporation.

(vii) Minimum and/or maximum class size.

(viii) A description of the organization's experience in developing and administering training to farmers.

(ix) A description of the monitoring and/or quality control methods the organization intends to use.

(x) A description of the policy on allowing Agency employees to attend the course for monitoring purposes, *i.e.*, the number of employees authorized to attend; the cost (if any); and the number of classes each employee can attend.

(xi) A description of how the needs of borrowers with physical and/or mental handicaps or learning disabilities will be met.

(xii) A plan of how the needs of borrowers for whom English is not their primary language will be met.

(3) *State Office review and recommendation.* Upon receipt of the application packages from the potential vendors, the State Director will review the material to assure the vendor's proposal meets the following minimum criteria for accomplishment of educational objectives, instructor qualifications, curriculum content, and vendor qualification:

(i) *Educational objectives.* Upon completion of the course, the borrower shall be able to:

(A) Describe the specific goals of the business, describe what changes are required to attain the business goals, and outline how these changes will occur using present and projected enterprise budgets.

(B) Maintain and utilize a financial management information system which includes financial and production records, a household budget, a statement of financial condition, and an accrual adjusted income statement. The borrower shall also be able to use this system when making financial and production decisions.

(C) Understand and utilize an income statement. Specifically, the borrower must understand the structure and major components of an income statement and its role in analyzing the performance of a business, be familiar with the cash and accrual methods of determining net farm income, and understand the relationship between a balance sheet and an income statement.

(D) Understand and utilize a balance sheet. Specifically, the borrower must understand the major components of a

balance sheet and its role in analyzing the business, be familiar with the categories of assets and liabilities and be able to provide examples of entries under each, and be familiar with the cost and market methods of valuing assets and liabilities and the advantages of each method.

(E) Understand and utilize a cash flow budget. Specifically, the applicant must be able to explain and justify estimates for production and expenses, and analyze the cash flow to identify potential problems.

(F) Using production records and other production information, be able to identify problems, evaluate alternatives, and make needed corrections to current production practices to achieve greater efficiency and profitability.

(ii) *Instructor qualifications.* Instructor qualifications will be reviewed to assure sufficient knowledge of the material and sufficient experience in adult education. The instructors must have a bachelor's degree or comparable experience in the subject area they will teach and a minimum of three years experience in conducting training courses or teaching. Also, the instructors must successfully complete any instructor training which may be associated with the Agency approved course.

(iii) *Curriculum.* The curriculum shall be reviewed to assure that the following subject matter is sufficiently addressed. A single vendor is not required to provide all the courses necessary to cover the entire curriculum; however, to the extent practicable, all topics must be available for all Agency districts. The State Director shall identify the specific crop or livestock enterprises for which training must be available in a given area or district, and any additional subject matter to be covered for each.

(A) *Business Planning.* The course(s) shall cover the general areas of goal setting, risk management, and planning. Goal setting will include identification of personal and family goals, business goals, and short- and long-term goals. Risk management concepts will include the sources, magnitude and frequency of risk, risk tolerance, risk-taking ability of the business, and

strategies for managing risk such as use of credit, marketing, production practices, and insurance. Finally, the course(s) will guide the borrower through the formulation of a long-term business plan for the farm and presentation of this plan to a lender.

(B) *Financial Management Systems.* The course(s) shall cover all aspects of farm accounting, specifically: Instruction in financial record keeping, preparation of a household budget, development and analysis of accrual adjusted income statements, balance sheets, and cash flow budgets. The course(s) shall focus on integrating these elements into a financial management system which enables the borrower to make business decisions based on his/her analysis of financial information.

(C) *Crop Production.* The course(s) shall focus on improving the profitability of the borrower's crop enterprises. Specifically, the course shall address keeping and analyzing production records, identifying problems in current production practices, identifying sources of production information and assistance, and using production information to analyze alternatives and identify the most profitable solution.

(D) *Livestock Production.* The course(s) shall focus on improving the profitability of the borrower's livestock enterprises. Specifically, the course shall address keeping and analyzing production records, identifying problems in current production practices, identifying sources of production information and assistance, and using production information to analyze alternatives and identify the most profitable solution.

(iv) *Vendor.* The proposed vendor of the training must have demonstrated a minimum of three years experience in conducting training courses or teaching the proposed subject matter.

(4) *Approval.* After review of the applications, the State Director shall determine which vendors should be recommended for final approval. Complete application packages from the selected vendors should be submitted to the National Office for concurrence prior to final approval. Applications from accredited colleges (including community colleges) or universities, however, do

not require National Office concurrence prior to final approval. If all of the instructors have not been selected at the time of request for approval of the vendor, the vendor may be approved with the condition that instructors will meet the criteria set out in paragraph (d)(3)(ii) of this section. After approval, the State Director and the vendor(s) will sign Form FmHA 1924-24, "Agreement to Conduct Production and Financial Management Training for Farmers Home Administration or its successor agency under Public Law 103-354 Borrowers." This agreement will be valid for three years, unless revoked in writing and giving 30 days notice by the State Director or the vendor. The State Director may revoke the agreement if the vendor does not comply with the responsibilities listed in the agreement. Such revocation is nonappealable. The State Director will issue a State supplement to this subpart listing the approved vendor(s), the contact person for the vendor, the terms of the vendor agreements, and the subject matter in which each vendor is approved to conduct training.

(5) *Renewals.* Renewal of agreements to conduct training will not be automatic. The vendor must request renewal in writing, provide updates to any changes in curricula, and provide information which indicates the training provided by the vendor is effective. Such information may include course evaluations, test scores, or statistics on the improvement of borrowers who have completed the course. The State Director must obtain National Office concurrence on any decisions to deny renewal of a vendor's agreement. A decision to deny renewal of a vendor's agreement is nonappealable.

(e) *Vendor monitoring.* An operational file will be maintained in the State Office for each approved vendor. This file will include the application, National Office concurrence (if required), the signed Form FmHA 1924-24, documentation of Agency monitoring of the vendor, and any further documentation to determine the success of the vendor's program. To assure the training organization is correctly and effectively implementing the training as

**RHS, RBS, RUS, FSA, USDA**

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proposed, the State Director or designee will be responsible for monitoring the vendor. This monitoring shall, as a minimum, consist of:

(1) Attendance at selected training sessions for each vendor to verify that the agreed-upon subject matter is being covered in sufficient detail and to assess the effectiveness of the training provided by the instructors.

(2) Review of course and instructor evaluations. Course and instructor evaluations will be completed by the borrowers on Form FmHA 1924-22, "Borrower Training Course Evaluation." This form will be provided to the borrowers by the instructor as they complete the course. The evaluations will be forwarded to the State Director for review. The results will be summarized and made part of the operational file on each vendor.

(3) Monitoring of borrowers' improvement upon completion of a course. The State Director will analyze statistics regarding borrower performance, such as the graduation and delinquency of borrowers who have completed the required training course.

[58 FR 69195, Dec. 30, 1993, as amended at 61 FR 35924, July 9, 1996; 68 FR 7696, Feb. 18, 2003; 68 FR 62223, Nov. 3, 2003]

**§§ 1924.75-1924.99 [Reserved]**

**§ 1924.100 OMB control number.**

The reporting and recordkeeping requirements contained in this regulation have been approved by the Office of Management and Budget (OMB) and have been assigned OMB control number 0560-0154.

[61 FR 35924, July 9, 1996]

**EXHIBIT A TO SUBPART B OF PART 1924—  
LETTER TO BORROWER REGARDING  
RELEASES OF FARM INCOME TO PAY  
FAMILY LIVING AND FARM OPER-  
ATING EXPENSES**

**UNITED STATES DEPARTMENT OF  
AGRICULTURE**

Farmers Home Administration or its  
successor agency under Public Law 103-354

(Insert Address)

(Date)  
Borrower's Name)  
(Address)  
Dear \_\_\_\_\_:

Public Law 100-233 requires the Agency to notify you that you are entitled to have Agency release proceeds from the sale of crops, livestock, and livestock products planned to be marketed in the regular course of business including ASCS and CCC payments, so that you can pay essential family living and farm operating expenses. The releases will continue until such time as your account should become in default and Agency has to accelerate your account.

To provide these releases to you, Agency regulations require that you fill out Form FmHA 1962-1 to explain what items of Agency security you intend to sell during this crop year. Please see attachment 1 of this letter for an explanation of this form. We request that you contact this office within 10 days of when you receive this letter so that we can complete this form and you can receive releases on a timely basis.

Sincerely,

\_\_\_\_\_  
County Supervisor

**ATTACHMENT 1 TO EXHIBIT A**

Periodically, you will be asked to complete Form FmHA 1962-1, "Agreement for the Use of Proceeds/Release of Chattel Security," which will document the agreement between you and the Agency as to how proceeds from the sale of chattel property which serves as security for your Agency loans will be released. You will also need to list those buyers to whom you plan to sell your farm products. This plan will give you and the Agency a clear idea of what income you expect from your operation and how those proceeds will be used. The plan will set forth the amount of money required for paying essential family living, farm operating expenses, and debt service payments. You and the Agency must agree on how much money will be released from your crop proceeds. Such releases must be in accordance with Agency regulations.

If the County Supervisor is unable to agree with and approve your plan for the use of the sales proceeds, you will receive a letter explaining why the County Supervisor is unable to approve your plan and how you may appeal the County Supervisor's decision. While an appeal is pending, Agency will release sales proceeds to be used to pay essential family living and farm operation expenses.

Once a plan has been agreed on, it is important that you abide by the plan. The plan can always be revised or changed, as circumstances require, provided you and Agency can agree to the revisions.

Planned sales can be listed by month, by quarter or by whatever period suits your operation the best. The form does not have to be completed to show each individual animal, bushel, bale, etc. The form is a plan: it contains only projections. We expect your